

Ethnic items outshine general H&BA

Continued from page 15

power has expanded, retailers have tried to keep pace with the demand for ethnic products. Because blacks spend such a high percentage of their per capita income on H&BA, stores with as little as 5% black traffic can generate 15% of H&BA sales, according to Business Trends Analysis.

Drug store chains, in particular, have been steadily increasing their commitment to the ethnic category, especially hair care, the largest ethnic category.

In 1983, according to A. C. Nielsen, drug chains held a 54% share of the black hair prep market, while mass merchandisers had a 17% share, and food outlets a 29% share.

Moreover, while drug chains range up 58% of all drug sales in 1983, the chains generated over 80% of the black hair prep sales. In contrast, independents with over \$500,000 in sales annually rang up 19% of all drug sales, but only 11% of black hair prep sales.

Despite drug chains' and wholesalers' commitment to the ethnic category, there is still a continuing struggle to achieve adequate distribution and shelf space for ethnic products.

But, those drug chains that have made inroads into the ethnic category have seen sales soar. Many drug chains contacted by *Drug Stores News* report that gross margins for the category average 40% and turns can run as high as 19.

Drug Emporium is one chain that has been very successful in ethnic H&BA. Says Mike O'Brien of Harris Beauty Supply, an ethnic H&BA supplier in Atlanta, ethnic sections averaging 12 ft. in a Drug Emporium can generate over \$3,000 a week at retail.

O'Brien says that an average store does about \$50,000 a year in ethnic products, but some Drug Emporiums can pull in over \$150,000 per year.

Walgreens also has continued to expand its ethnic sections, which range from 3 ft. to 21 ft. Says Richard Robinson, ethnic products buyer at Walgreens, "We are very committed and positive about the ethnic category and many stores are receiving increased promotional space."

Another chain that has increased its commitment to the category is Perry. Perry now has ethnic sections in 62 stores ranging from 4 ft. to 36 ft., and the chain is expanding and adding ethnic sections in stores where there is a lot of black traffic. Steve Lund, Perry's ethnic H&BA buyer says the section is "extremely profitable," but adds that there is no chainwide program to expand or add ethnic departments.

Fay's also has increased its commitment to the category. About 30 stores now have ethnic sections ranging from 4 ft. to 8 ft. and the category has recently been put on an MSI system to track product movement.

And SuperRx, one of the leaders in the ethnic category, has created its own ethnic planograms ranging from 3 ft. to 48 ft. Hook Drug also does its own planograms ranging from 6 ft. to 18 ft., and the chain also warehouses over 80% of its ethnic products. According to a Hook spokesman, "we're probably not expanding our ethnic sections as fast as we should to keep up with demand."

Because the lion's share of the ethnic market is hair care, most of the interest in new trends focuses on this category. The big question is whether the curl has run its course.



Because of the ever changing ethnic product lines, ethnic H&BA buyers must stay on top of trends.

Hair care

In 1983, blacks spent \$1.3 billion on hair care and over \$138 million was generated in drug outlets. Overall, between 1978 and 1983, curl activators brought in \$143 million in sales and kits ran up \$79 million in sales.

However, many industry sources say that the curl has peaked and the wave is slowly emerging as the next big trend in ethnic hair care. Perhaps a harbinger of such a trend is the recent move by Worlds of Curly, a leading curl manufacturer, into the hair straightener market.

Revlon's Lou Roppollo, a marketing executive, says that the curl look has plateaued and the trend is toward a more natural and relaxed look. Revlon will be following up on this trend when it launches Finisheen, a maintenance spray product used in salons for relaxed hair. The product is scheduled to hit the shelves July 1 and will retail at \$4.95.

Despite the emergence of the relaxed look, many observers say that the ethnic H&BA business is regional. Says Kent Humphreys of Jack's service, a supplier of ethnic H&BA in Oklahoma City: "People do not realize that just because an ethnic product is among the 10 best-selling items nationwide, it is not necessarily going to be a top 10 item in their region."

Moreover, many observers stress that while the curl was suitable for both men and women, the wave will be more popular among men. Says Hairlox' Marcus Griffith: "The curl activator market has run its normal cycle,

but it is here to stay, just like relaxers. However, the wave could never be as big as the curl because women with long hair will not be able to wave their hair."

Notes Bob Scott, director of sales for Pro-Line: "I don't know when the curl will bottom out, but I don't see the market growing." He adds, however, that there will "always be a curl market."

Rocky Piccirillo, director of operations for Beauty Enterprises, an ethnic products distributor in Hartford, agrees. He reports that although the kit category has peaked, the maintenance curl products remain very strong, accounting for 49% of his company's total dollar sales.

Humphreys also notes strong sales in the maintenance category. "Sure the wave is out there, but eight or nine of my 12 best-selling items all have to do with the curl. There is still an awful lot of dollars out there for the curl," says Humphreys.

But relaxers, especially no-lye products, are making significant inroads in the ethnic market. Piccirillo projects relaxers to account for 10% of Beauty Supply's total dollar business in 1985, up from 7% in 1984.

And Ken Hall of the Savannah, Ga.-based Carson Products says that the increased sales from relaxer products have yet to show up in the Nielsen numbers. But, he notes that retailers, suppliers and distributors generally agree that the relaxer category will be picking up.

Continued on page 19

U.S. population by ethnic group



Source: Bureau of the Census

■ White ■ Black ■ Hispanic □ Other

Cosmetics search for niche in drug chains

Continued from page 17

The trend toward straighter, shorter hair among blacks was expected to fuel the ethnic mousse market. However, most industry analysts say that ethnic mousses account for less than 1% of sales in the ethnic category and, in general, the products have failed to ignite the category.

However, another category in ethnic hair care that is expected to blossom is hair color. "The minority-owned companies will have to go into hair colorings if they want to maintain a hold on the black market," says Julia Wilson, beauty editor of the Los Angeles Sentinel.

Armand Jackson, senior product manager for Alberto Culver's professional product division, says that Culver, makers of TCB, "is looking closely at hair colorings in the ethnic marketplace." Other manufacturers such as Johnson Products, M&M Products and Soft Sheen are reportedly following suit.

It is still unknown, however, whether the minority-owned companies can get the ethnic hair color market from Revlon and Clairol.

Another area that is still relatively untouched is shampoo. Although shampoos account for 40% of the overall U.S. hair care market, the category accounts for less than 9% of ethnic hair care sales. But, as more manufacturers of ethnic products venture into shampoo lines, the category is expected to expand during the next decade.

Cosmetics

The prestige ethnic cosmetics and skin treatment products by Fashion Fair, Flori Roberts and Barbara Walden have made a big impact on the department store level. But, with the exception of Posner, Honey & Spice, and Zuri, ethnic cosmetics are limited in most chain drug stores.

Says Griffith of HairLox: "It's harder to make cosmetics for the ethnic market because black women readily buy cosmetics for the general market." He adds that the same holds true for fragrances—black women identify best with general market products.

However, most observers say there is a big market for ethnic brands, especially as more cosmetics companies discontinue the darker shades popular among black women.

Johnson Products is one company that has added some new sparkle to its line of Ultra Sheen cosmetics with new lip and nail shades ranging from "rambunctious red" to "copper sensation" and with new

crayon colors in blue and fuchsia. However, Johnson is one of only a handful of manufacturers of ethnic products that produces both hair care preps as well as cosmetics for the mass market.

Skin treatment lines are also targeted for expansion as the market for total grooming expands. Says Melvin Stringer, sales manager for Standard Drug, a supplier of ethnic H&BA in Detroit: "Manufacturers are going to have to look more closely at hypoallergenic

products to see if they have a niche in the ethnic marketplace."

Most analysts agree that ethnic cosmetics seem to work better when merchandised near the ethnic hair care section.

Overall, however, the ethnic cosmetic category appears to lack a secure niche in the marketplace. Some chains cross merchandise ethnic cosmetics, while others prefer to sell the items in the ethnic hair care section.



UNIQUELY DESIGNED FOR FAST TURNSOVERS.

© 1984 M&M Products Company

NOXIE
Curl Activator
"NOXIE" HAS BEEN THE MOST POPULAR HAIR CARE PRODUCT IN THE ETHNIC MARKET SINCE ITS INTRODUCTION.

NOXIE
Hair Moisturizing Spray
"NOXIE" PRODUCT LINE PROVIDES FOR QUALITY AT A REASONABLE PRICE.

NOXIE
QUICK & EASY CURL KIT
"NOXIE" PRODUCT LINE PROVIDES FOR QUALITY AT A REASONABLE PRICE.

SOFT SHEEN
Curl Cream
"SOFT SHEEN" HAS GROWN AT THE RATE OF 20% A MONTH SINCE ITS INTRODUCTION.

SOFT SHEEN
Curl Mousse
"SOFT SHEEN" HAS THE GREATEST STOCK TURN IN THE INDUSTRY.

SOFT SHEEN
Curl Shampoo
"SOFT SHEEN" IS THE ONLY SINGLE BRAND TARGETED TO THE FEMALE MARKET.

SOFT SHEEN
Curl Conditioner
"SOFT SHEEN" IS THE FASTEST GROWING PRODUCT LINE IN THE ETHNIC HAIR CARE INDUSTRY.

SOFT SHEEN
Curl Gel
"SOFT SHEEN" CURL MOISTURIZING SPRAY RANGES AMONG THE TOP TEN BRANDS IN THE HAIR CARE INDUSTRY.

SOFT SHEEN
Curl Cream
"SOFT SHEEN" HAS GROWN AT THE RATE OF 20% A MONTH SINCE ITS INTRODUCTION.

SOFT SHEEN
Curl Mousse
"SOFT SHEEN" HAS THE GREATEST STOCK TURN IN THE INDUSTRY.

SOFT SHEEN
Curl Shampoo
"SOFT SHEEN" IS THE ONLY SINGLE BRAND TARGETED TO THE FEMALE MARKET.

SOFT SHEEN
Curl Conditioner
"SOFT SHEEN" IS THE FASTEST GROWING PRODUCT LINE IN THE ETHNIC HAIR CARE INDUSTRY.

SOFT SHEEN
Curl Gel
"SOFT SHEEN" CURL MOISTURIZING SPRAY RANGES AMONG THE TOP TEN BRANDS IN THE HAIR CARE INDUSTRY.

You may be tempted to call us the architects of the ethnic hair care industry because we design hair care products specifically for our market's total hair care needs. Now you're probably asking yourself, what exactly does this mean to you? Simply put, it means greater profits.

As you can see, we have a wide variety of hair care products for a variety of hair care needs and styles. From wet set and comb out conditioners that created the category

to curl creams, mousses, wave makers and a totally female product line. We continue to compound the hair care industry with its dynamic performance. But what's most impressive about our products is what's behind our products. M&M Products Company has spared no expense in giving maximum media support to promote Soft-Sheen Soft-N-Free and Noxie brands.

To put it in clearer perspective, we will

reach 92% of our target market over 24 times in more than 50 markets with radio, television, print, transit and in-store promotional programs.

Now that we've sufficiently whetted your appetite, call Mr. Leonard Golden, National Sales Manager, at 1-800-241-7209, to begin designing a profit program just for you.

M&M PRODUCTS COMPANY
THE PEOPLE WHO KNOW YOUR HAIR... AND CARE

Regional tastes affect black hair care sales

Despite growing sales and increased profits, drug retailers have moved cautiously to warehouse their own black, health & beauty aid products.

Although many chains could justify buying leading black hair care products direct from manufacturers, based on their sales volume, the regional nature of the business and the volatility of the market has led many chain execs to continue with distributor arrangements.

Only a handful of drug chains have opted to buy direct from the manufacturer. They include Walgreens, Revco, Rite Aid and Hook. Most chains rely on either store-to-store deliveries or warehouse-to-warehouse deliveries from distributors.

At the heart of the direct vs. distributor issue is the fact that many of the black ethnic products have widely varying degrees of regional appeal.

"People do not realize that just because an ethnic H&BA item is among the top 10 selling items, it's not necessarily going to be a top 10 item in their region," said Kent Humphreys, president of Jack's Service in Oklahoma City.

Product-movement studies from Jack's Service indicate, for instance, that Long Aid Gel is its third biggest seller in the Southwest.

However, at Johnson Drug Supply Co. in Detroit, Mich., Long Aid Gel places 27th on the list of leading sellers.

The problems become increasingly difficult for chains that have stores in a number of regions. While a chain such as Hook Drugs, which has stores primarily in the state of Indiana, can feel comfortable that what's selling in one part of Indiana is probably selling in other areas of the state as well, chains with stores that span several states have to be aware of regional differences.

Some of the larger chains such as Walgreens and Revco that have gone the direct supply route have attempted to compensate for the regional swings in the business by getting product-movement information from their store district offices.

Still, many industry insiders say

that a case can be made for going direct. "I don't think that anyone would question the fact that a product like Soft Sheen has the largest share of market in the country," said one industry source. "But are the distributors going to be happy with the dregs while the chains take the jewels for themselves?"

There also is the question of whether chains want their buyers putting all the effort and time into an ethnic program when only 25% of a chain's stores may feature ethnic departments.

Ray Perrone, a buyer at Adams Drugs in Pawtucket, R.I., notes that the ethnic department is one of the most profitable areas in the store. But the chain uses a distributor because it has ethnic products in only about 85 of its 423 stores.

Other chains including Medi Mart, Genovese Drugs and CVS have also opted for distributors.

In addition, warehouse-to-warehouse programs such as those offered by Beauty Enterprises, based in Hartford, and Ben Sheftall in Savannah, Ga., are also being used much more widely by drug chains.

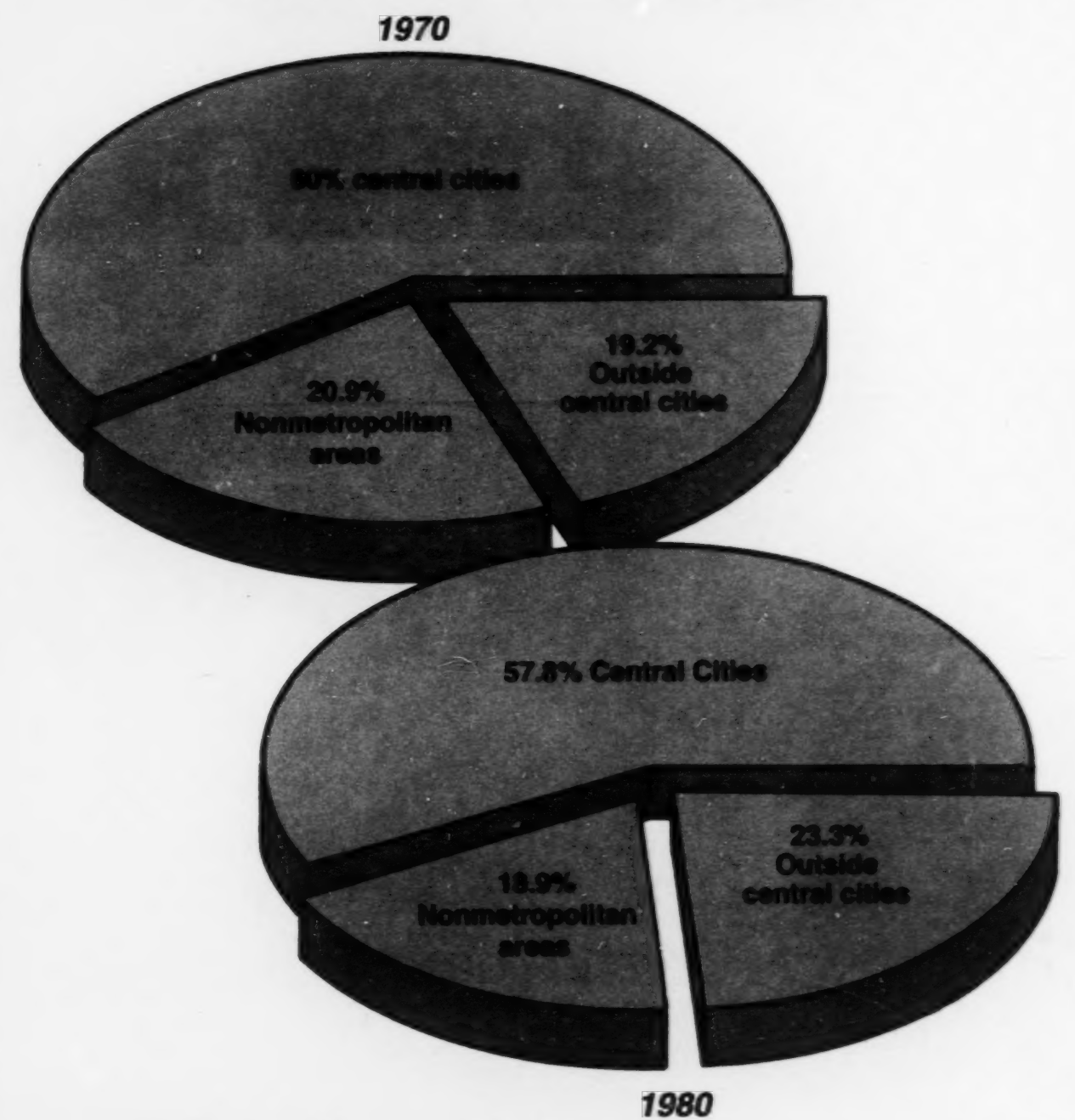
Many drug retailers point out that at best they would 'gain a few points' by going direct. Moreover, distributors make the case that chains benefit from increased volume in a distributor arrangement.

One drug retailer for a chain on the West Coast likened the current situation with ethnic products to sunglasses. "We could buy ethnic products direct from manufacturers and as we could start a private-label sunglass program," he noted. "But the question you have to ask yourself is do you want to be stuck servicing the department, and can you stay on top of the trends in the business?"

"As it stands, we're already making 35% to 40% margins, what's the point in risking that?"

However, in the long term, as more retailers test the ethnic department waters, drug chains may be forced to go direct with manufacturers. Up until now, the market has not been overly price sensitive. But chains may take a more competitive stance if the marketplace heats up.

Distribution of U.S. black population



Source: U.S. Department of Commerce, Bureau of the Census

U.S. black population is shifting to suburbs

Chain drug retailers will have to consider placing more ethnic health & beauty aids departments in suburban store locations as more blacks leave the nation's cities for the suburbs.

In 1970, 60% of the black population resided in cities, according to the Bureau of the Census of the U.S. Department of Commerce. In 1980, the percentage of blacks living in central cities declined to 57.8%.

The Census figures indicate that more blacks are moving to suburbs outside of the central cities. In 1970, 19.2% of the black population lived in suburban communities. By 1980, the percentage grew to 23.3%. The percentage is expected to show additional increases throughout the remainder of this decade.

At the same time that more blacks are living in the suburbs, the number of blacks working outside of the central cities is also expected to grow considerably as more businesses relocate to suburban localities.

H&BA space allocation tied to local needs

Unlike the space allocated to general health & beauty aids departments, the size of ethnic H&BA departments varies from store to store, depending on the ethnic makeup of a particular store area.

Consequently, input from store personnel can be a crucial element in the success of an ethnic H&BA department.

The general rule of thumb is that a store with a 10% black customer base should allocate no more than 3 ft. to ethnic H&BA products.

However, as the percentage of black

customers increases, it becomes much more important to allocate larger sections to ethnic departments. A store with a black customer base of 15% to 25% should feature an ethnic department ranging from 4 ft. to 6 ft.

At least 8 ft. to 12 ft. for ethnic products is recommended for stores with a 40% ethnic makeup. And those stores in which 50% or more of the customers are black frequently can support departments of 16 ft. and up.

But, however useful these formulas are in determining the size of a store's ethnic department, most chains rely

heavily on store personnel to advise headquarters if a department should either be cut back or expanded.

In addition to fine tuning space allotments, drug chains also are doing a better job promoting and merchandising their ethnic departments than in the past. Until recently, many chain ethnic departments were relegated to outpost areas of the store and little consideration was given to developing the departments around the needs of a store's ethnic customers.

"We believe that the ethnic department is up and coming," said Bobby Little, Big B's vp of store operations. "For some time, it's been a department that has been neglected, but we realize that there is a real need for these products."

Big B is one of the few chains with

ethnic departments in all of its stores. Little said the departments range in size from 4 ft. to 48 ft., with the average totaling 8 ft. to 12 ft. Its largest department is a 48-ft. section in the predominantly black city of Montgomery, Ala.

Another chain that has been aggressive in expanding ethnic H&BA's is Revco. Several years ago, Revco typically allocated 3-ft. and 4-ft. sections for ethnic departments in stores with a 50% or more black customer base. Today, Revco allocates 10 ft. to 12 ft. to ethnic H&BA's in similar stores.

Revco's commitment to ethnic departments has paid off. The chain is now doing as much business with its ethnic health & beauty aids as it does with general market hair conditioners in its more than 1,800 drug stores.



Merchandiser:

Buyers eye computer accessories—p. 15

Pharmacy:

N.C. Rx school to offer 6-year plan—p. 31

Cosmetically Speaking:

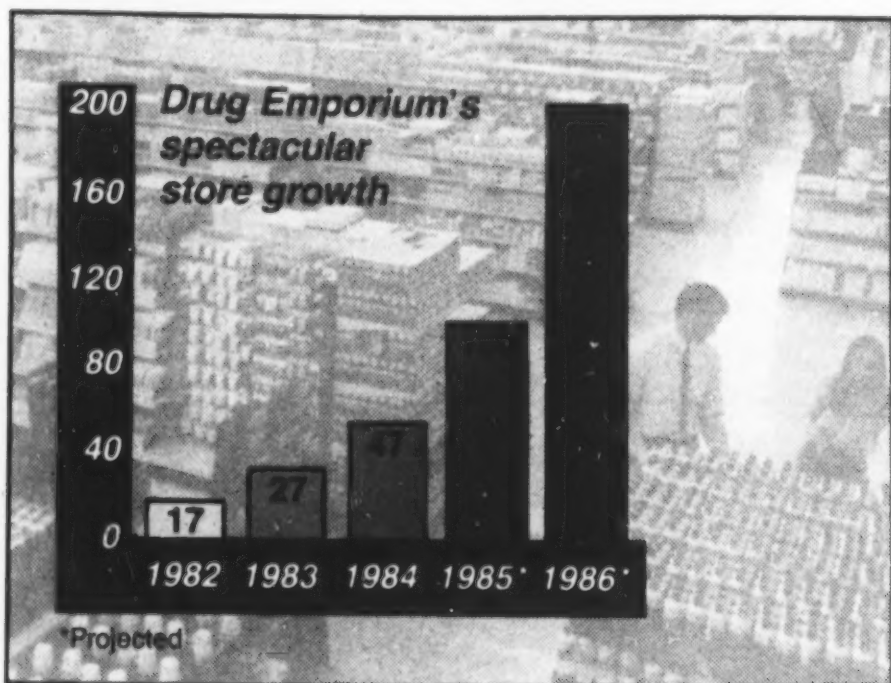
Fragrance sales boom as cosmetics lag—p. 44

DRUG STORE NEWS

Vol. 7/No. 12 Serving chains, wholesalers and high-volume independents for 56 years. Published by Lebhar-Friedman Inc. May 27, 1985

Philadelphia deep-discount slugfest

Drug Emporium poised for explosion



Inside the Moorestown, N.J., store.

By Jim Ricchiuti

PHILADELPHIA — Having established a beachhead in this market with the opening of four stores, Drug Emporium is a step closer to its goal of gaining access to the top 100 markets in the U.S.

Already the nation's largest deep-discount drug store chain is entrenched in 25 of the top 100 markets in the U.S., confirming the worst fears of some chain drug executives—namely that off-price drug retailing is more than a passing phase.

Continued on page 58



Rx Place recently opened in Stratford, N.J.

Woolworth's Rx Place enters market fracas

STRATFORD, N.J. — Drug Emporium's foray into Philly may have put a crimp in F. W. Woolworth's plans for the Rx Place in this market.

Initially, Woolworth said it was planning to open between four and five deep-discount units in the Philadelphia-south New Jersey markets.

The first one opened here in Jefferson Plaza in a former 30,000-sq.-ft. Shop 'n Bag supermarket site. Approximately 15,000 sq. ft. is selling, with a heavy mix of health & beauty aids, greeting cards, cosmetics and hair care.

Sources say that Woolworth has another site selected outside of Philadelphia. However, Woolworth isn't talking about a second store yet.

Ken Colson, president of the Rx Place, is overseeing the project.

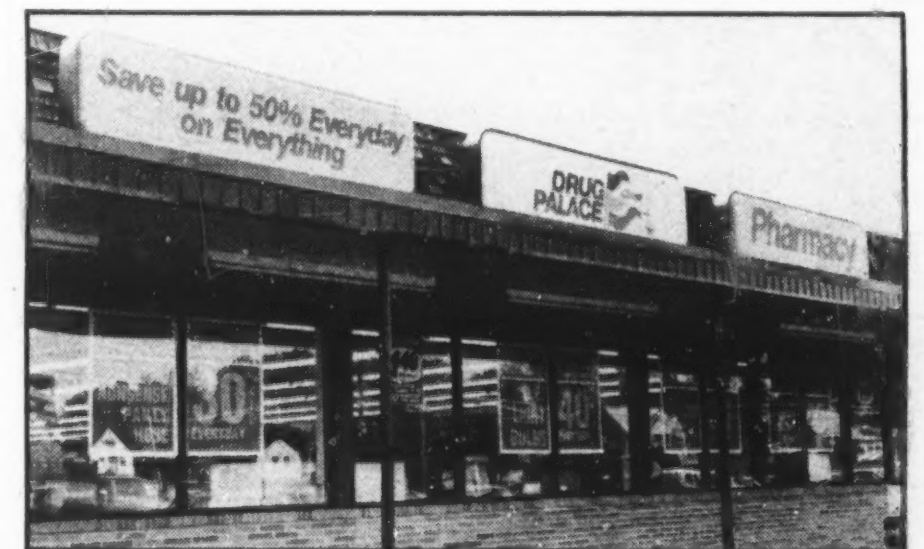
Drug Palace: Rite Aid one-two Philly punch

PHILADELPHIA — Rite Aid has come out swinging against Drug Emporium, which entered this market last month, by converting two conventional drug stores into its Drug Palace deep-discount format.

Earlier this month, the Drug Palace banner replaced the Rite Aid logo at a store in Somerdale, N.J., less than a mile from Drug Emporium's third deep-discount store, and about a mile from F. W. Woolworth's deep-discount entry, The Rx Place.

Last month, Rite Aid converted a 9,000-sq.-ft. store in northeastern Philadelphia to the Drug Palace logo in response to Drug Emporium's plans to open a store directly across the street.

Continued on page 58



The new Somerdale, N.J., Drug Palace.

Location is a dead-end

Premier FAD closes in Salt Lake

By Lou Karney

SALT LAKE CITY — American Stores closed the first FAD deep-discount drug store, which opened a year ago, but continues to operate a second unit opened three months later.

Competitors say the FAD (Food and Drug at Discount) store was shuttered because it was in a bad location.

"It was on a dead-end street, in a shopping center that was three-quarters empty," said an exec of a top supermarket chain that also operates pharmacies.

"That was the reason that the Skaggs Drug Center [which the FAD replaced] was closed and moved in the first place."

Another exec said, "At these two locations, American Stores was stuck with existing leases. They tested FAD as a way to recoup their lease costs."

Analysts agree that American did not have a strong commitment to the concept.

"Why would they want to sell products in a deep-discount drug store," said Andy Peterson of Charter Investments, "when they can sell the same products with better margins in their combo stores? I don't think deep discount is their ballgame. Convenience is their game."

Margaret Gilliam of First Bosto agreed: "They were never serious about the concept. It was just one store, not a test. They just did what they felt they had to do to try to

Continued on page 58

Drug World's 4 units charge into St. Louis

ST. LOUIS — SuperRx Drugs introduced its deep-discount concept to St. Louis in a big way, opening four new Drug World stores on the same day, May 1.

The four stores, ranging in size from 8,000 to 12,000 sq. ft., are located in suburban areas in converted Gasen drug stores, a chain owned by SuperRx since 1962. The openings bring the number of deep-discount stores in St. Louis to eight.

"Our research showed that this market, although occupied by other deep discounters, was far from the saturation point," said Robert Griffith, vp of human resources for SuperRx. "The consumer base was ready for our concept, and we had four stores in four good areas that we could convert, so we did it."

According to Griffith, opening four stores in one market on one day was done for maximum impact. "We wanted the people to know, in a big way, that Drug World was here," he said.

Griffith pointed out that the economies were also in the company's favor by opening four at the same time. "It doesn't cost any more to promote the opening of four than it does for one."

On May 1, a five-column-by-full-page ad in the St. Louis Post-Dispatch proclaimed that "Drug World Opens Today with Four Stores."

With liberal use of red spot color, the ad highlighted various department everyday discounts: 50% off General Elec-

Continued on page 58

LATE NEWS...LATE NEWS...LATE NEWS

JACK ECKERD CORP. expects to report an approximate 50% drop in earnings per share for the third quarter ended April 27 and a small decline for the nine months. The company cited "a slowdown in sales, primarily in April, and continuing pressure on gross margin." Corporate sales for the quarter increased 9.6%, while the drug company's sales were up 10.4% to \$613.2 million. Final results will be released May 30.

McKesson and Barron

0023447C DR
MS JEANNE LONG
CONGRESSIVE INFO SVCS I 1F1
4520 EAST WEST HIGHWAY
BETHESDA MD 20814